



the

BOND TELLER

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VICE PRESIDENT GORE, SECRETARY RUBIN UNVEIL NEW INFLATION- INDEXED SAVINGS BONDS

Bonds Honor Eight Distinguished Americans

Washington, DC—Vice President Gore and Treasury Secretary Rubin introduced new inflation-indexed savings bonds that will protect Americans' savings against future inflation, and that also honor eight Americans for their significant contributions to America's past, present, and future.

"Now more than ever, Americans need to focus on saving for their children's college and their own retirement," Vice President Gore said. "These bonds will make that much easier, and ensure that those savings will never be undercut by future inflation."



The new \$100 I Bond honors Dr. Martin Luther King, Jr.

The eight Americans featured on the bonds include:

\$50 I Bond: Helen Keller, a noted author and advocate for individuals with disabilities. Ms. Keller is also responsible for Braille becoming the standard for printed communication with the blind.

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HOW DOES THE SERIES I BOND EARN INTEREST?

Since Series I Bonds are inflation-indexed securities, investors will receive rates of return to help protect them from the effects of inflation. The earnings rate for Series I Bonds combines a fixed rate with a semi-annual inflation rate to compute an earnings rate that is applied to the bond. Here's how it works:

Treasury announces the fixed rate of return each May and November. This fixed rate applies to the entire interest earning life of all bonds purchased in the six months following the announcement.

The semi-annual inflation rate is also announced each May and November. The semi-annual inflation rate is the percentage change in the Consumer Price Index

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HELP YOUR CUSTOMERS BY KNOWING I BOND BASICS

Will you handle Series I Bond transactions? If so, it's important to get familiar with the basics, so you'll be ready to help your customers. Here's the low-down:

What is an I Bond ?

The I Bond is an inflation-indexed, accrual-type savings bond issued at face value. Purchasers pay \$100 for a \$100 I Bond. Interest is added monthly, is compounded semi-annually, and is paid when the bond is redeemed.

Denominations

Initially, I Bonds are available in 6 denominations: \$50, \$75, \$100, \$500, \$1,000, and \$5,000. Two other denominations, \$200 and \$10,000, will be offered starting May 1999.

Interest Earnings

I Bond interest earnings are inflation-indexed to help protect investors' purchasing power. The I Bond earnings rate is a combination of two separate rates: a fixed rate of return (set by the Treasury Department) and a variable semi-annual inflation rate (based on changes in the Consumer Price Index for all Urban consumers).

Maturity

I Bonds stop earning interest 30 years from the issue date printed on the bond.

Purchase Limit

The annual purchase limit on I Bonds is \$30,000 per Social Security Number. Adding a coowner does not allow the purchaser to buy more bonds above the \$30,000 annual limit. However, I Bond purchases have no impact on the purchase limit for EE Bonds. An individual may buy the maximum amount in I Bonds and also purchase



Everyone Needs a Safe Place to Grow.

Gift Certificates

When a bond is purchased as a gift, remind your customer to send a gift certificate so the receiver will know who to thank for the gift.

the maximum amount in Series EE Bonds (\$15,000 issue price) during the same calendar year.

Forms of Registration

I Bonds may be registered in single owner, coowner, beneficiary, or certain fiduciary forms. However, they may not be registered in the names of public or private organizations or corporations.

Gifts

Can I Bonds be purchased as gifts? Sure! If the purchaser doesn't know the recipient's Social Security Number, the purchaser can use his/her own number. I Bonds purchased as gifts are not considered when determining whether a purchaser's own bonds are in excess of the annual purchase limit.

Purchasing

Any issuing agent offering Series EE Bonds can offer I Bonds. I Bonds will also be available for purchase through payroll savings plans of employers who choose to offer them.

Redeeming

I Bonds may be redeemed anytime beginning 6 months from the issue date. However, I Bonds are meant to be longer term investments. If an I Bond is redeemed anytime during the first 5 years after issue, any interest earned in the last 3 months is forfeited. Once the bond is 5 years old, there is no penalty for redemption. I Bonds may not be exchanged for another series of savings bonds.

For More Information

For more detailed information, see the Savings Bond Resource Guide, the Series I offering regulations (Department of Treasury Circular, Public Debt Series, No. 1-98 (31 CFR Part 359) or the governing regulations (Department of Treasury Circular, Public Debt Series, No. 2-98 (31 CFR Part 360). Additional information also is available on the savings bond website at www.savingsbonds.gov. ■

- COVER STORY - UNVEIL NEW INFLATION- INDEXED SAVINGS BONDS

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\$75 I Bond: Dr. Hector Garcia, a leading advocate for Mexican-American veterans' rights, an activist in the Latino civil rights movement, and the founder of the American G.I. forum.

\$100 I Bond: Dr. Martin Luther King, Jr., one of the nation's most prominent civil rights leaders. Dr. King was also a minister and Nobel Peace Prize recipient.

\$200 I Bond: Chief Joseph-Nez Perce Chief, one of the greatest Native American leaders.

\$500 I Bond: General George C. Marshall, U.S. Army Chief of Staff during World War II, Secretary of State and Defense, author of the Marshall plan, and Nobel Peace Prize recipient.

\$1,000 I Bond: Albert Einstein, a physicist and creator of the Theory of Relativity. Einstein was also a Nobel Prize recipient for Physics.

\$5,000 I Bond: Marian Anderson, a world-renowned vocalist and the first African-American to sing with the Metropolitan Opera.

\$10,000 I Bond: Spark Matsunaga, a former U.S. Senator and Congressman and World War II hero.

"These I Bonds will give Americans a way to save and be protected from inflation," said Treasury Secretary Rubin, who joined Vice President Gore in announcing the new bonds and presenting each individual representing those honored a portrait as it appears on the Series I Inflation-Indexed Savings Bonds.

"The design of this new security gave us a rare opportunity to recognize these distinguished individuals whose talent and dedication helped our nation make great strides in knowledge, the arts, civil rights, and world peace," Rubin added.

The Series I Inflation-Indexed Savings Bonds (I Bonds) offer Americans protection from inflation, insuring investors a real rate of return over and above inflation. The

earnings rate an investor makes on inflation-protected bonds is the combination of two rates: 1) a fixed rate of return announced by the Treasury Department that remains the same for the life of the bond; and 2) a rate of inflation that is adjusted every six months by the Bureau of Labor Statistics to reflect changes in the Consumer Price Index for all Urban Consumers (CPI-U).

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I BOND CEREMONY: Shown following the unveiling of the I Bond are bond designers and representatives of the honorees. **First row, left to right are:** Walter E. Fauntroy, Head of the Washington Chapter of the Southern Christian Leadership Conference, Dr. Martin Luther King, Jr.; Mrs. Helene Matsunaga, widow of Senator Spark M. Matsunaga; Mrs. Wanda Garcia, widow of Dr. Hector Garcia; Samuel E. Penney, Chairman, Nez Perce Tribal Executive Committee; **Second row:** Gary Ciccarelli, portrait artist; Marlin Miller, Creative Director, Ball Advertising, Lancaster, PA.; Keller Johnson, Helen Keller's great grand niece; **Third row:** Yitzchak Oren, Minister for Congressional Affairs, Israeli Embassy, for Albert Einstein; Albert J. Beveridge, III, President, George C. Marshall Foundation and James DePreist, Conductor, Portland Symphony, Marian Anderson's nephew.



\$50.⁰⁰ I Bond

HELEN KELLER

(1880-1968)

—Author, Advocate for Visually and Hearing Impaired—

Helen Keller lost her sight and hearing as a young child from illness but overcame these challenges and went on to become the twentieth century's best known advocate for people with disabilities. Through her writing, lectures, and work with various organizations, Keller focused public attention on issues affecting the handicapped. She was also successful in making Braille the standard for printed communication with the blind. She had a lifelong relationship with the American Foundation for the Blind, and was instrumental in the Lions Club International's devotion to the blind and blindness prevention.

\$75.⁰⁰ I Bond

DR. HECTOR P. GARCIA

(1914-1996)

—Physician, World War II Veteran, and Humanitarian—

Dr. Hector Garcia was a medical doctor who spent his life working to help the poor, sick, and neglected. Dr. Garcia served in World War II, received the Bronze Star Medal, and became a leading advocate for Mexican-American veterans' rights. He was an activist in the Latino civil rights movement and founder of the American G.I. Forum, an organization that addresses the health, education, and civil rights of Hispanic veterans. Dr. Garcia was the first Mexican-American to serve on the U.S. Commission on Civil Rights and served as U.S. Ambassador to the United Nations. He received our nation's highest civil honor, the Presidential Medal of Freedom, in 1984 from President Ronald Reagan.



\$100.⁰⁰ I Bond

DR. MARTIN LUTHER KING, JR.

(1929-1968)

—Civil Rights Leader, Minister, Nobel Peace Prize Recipient—

Dr. Martin Luther King, Jr., a Baptist minister from Atlanta, was one of the most prominent figures in the civil rights movement which succeeded in achieving legal equality for African-Americans. He co-founded and served as the first president of the Southern Christian Leadership Conference, organized to promote the advancement of integration and legal and social equality. Dr. King was the recipient of numerous awards which recognized his outstanding work for non-violent social change, including the Nobel Peace Prize in 1964. In 1986, Dr. King's birthday became a national holiday in recognition of his enormous contributions to American history.

\$200.⁰⁰ I Bond

CHIEF JOSEPH

(1840-1904)

—Nez Perce Chief —

Chief Joseph, a Native American leader, is best known for his principled resistance to the U.S. government's attempts to force the Nez Perce onto a reservation. An 1863 treaty took away their lands and forced the Nez Perce and their leader into a position of resistance. Though he consistently opposed war, when conflict became inevitable Chief Joseph and other leaders led the Nez Perce on a courageous retreat in 1877 for more than a thousand miles through Montana and Idaho. After a five-day siege only 30 miles from safety, he surrendered. In his final years, Chief Joseph spoke eloquently of the injustice of United States policy toward his people and held out hope that one day freedom and equality might come for Native Americans.



\$500.⁰⁰ I Bond

**GENERAL GEORGE C.
MARSHALL**

(1880-1959)

—Military General, Statesman, Nobel
Peace Prize Recipient —

George C. Marshall was one of the most renowned military figures in United States history, serving as a General of the Army, Chief of Staff of the Army, Secretary of State, and Secretary of Defense. He led U.S. military efforts to victory in the Second World War. Later, through the Marshall Plan, he built the foundation for the economic rehabilitation of Europe for which he received the Nobel Peace Prize in 1953—the first soldier to receive this honor.

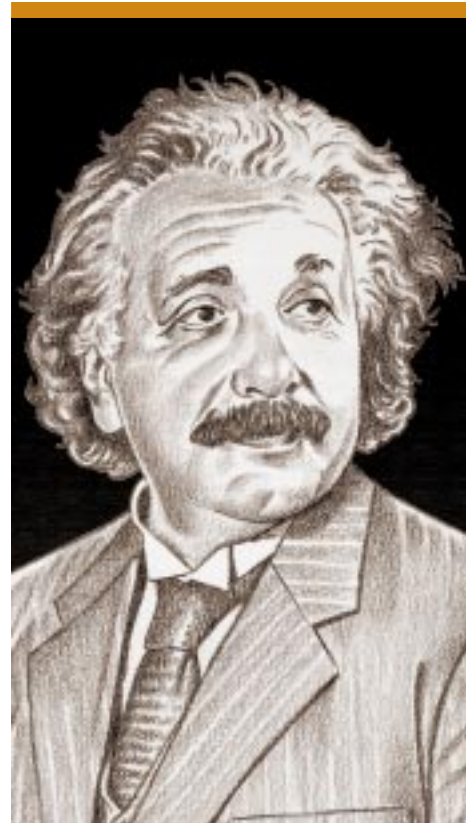
\$1,000.⁰⁰ I Bond

ALBERT EINSTEIN

(1879-1955)

—Physicist, Author of the Theory of
Relativity, Nobel Prize Recipient—

With the special and general theories of relativity, Einstein replaced Newton's view of absolute time and absolute space with a new physics in which time slows down and gravity changes the shape of the universe. Albert Einstein is a symbol of the pursuit of truth through science that knows no national boundaries. As an immigrant to the United States, Einstein fled pre-war Germany and became a United States citizen. As a prize-winning physicist, Einstein replaced centuries of physics with a new and more complete view of the universe. As an international figure, Einstein fought for the cause of peace. He received the Nobel Prize for physics for his work on the photoelectric effect.



\$5,000.⁰⁰ I Bond

MARIAN ANDERSON

(1897 - 1993)

—World-Renowned Vocalist
(Contralto)—

Marian Anderson was a world-renowned contralto with a vocal mastery from Bach and Schubert to Verdi and spirituals. In 1939, barred from singing at a concert hall in Washington, D.C. because of her race, Anderson was invited to sing on the steps of the Lincoln Memorial to a record crowd. Her long career began with singing in church as a young girl, and took her to the pinnacle of the profession when in 1955, she became the first African-American to sing with the Metropolitan Opera. Marian Anderson was loved and admired throughout the world as a great artist whose dignity in the face of discrimination opened doors for the many African-American artists now performing in concert halls and opera houses world-wide.



\$10,000.⁰⁰ I Bond

SPARK M. MATSUNAGA

(1916-1990)

—U.S. Senator and Congressman,
World War II Hero—

Spark Matsunaga, a war hero who became a United States Senator from Hawaii, dedicated his career to promoting peace and achieving justice. A Japanese-American, Matsunaga served with distinction in the 100th Infantry Battalion, the first Japanese-American unit formed during World War II, for which he received the Bronze Star and two Purple Hearts. As a political leader, he was a champion of civil rights for all Americans regardless of race. As a member of the United States Senate, he worked to promote the peaceful resolution of conflicts, and he fought for redress for survivors of the World War II internment camps.

- COVER STORY - UNVEIL NEW INFLATION- INDEXED SAVINGS BONDS

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I Bonds may be attractive to investors for the following reasons:

- They protect investors from inflation;
- They are exempt from state and local income taxes and federal taxes can be deferred until the bond is redeemed or stops earning interest at 30 years;
- They increase in value monthly with interest compounded semi-annually;
- And all or part of the interest earned may be tax-exempt if used for college tuition and fees at eligible post-secondary educational institutions, when income qualifications are met.

I Bonds also protect investors from potential deflation. Even if deflation is greater than the fixed interest rate, the I Bond's value will remain the same.

Six of the eight I Bonds (\$50, \$75, \$100, \$500, \$1000 and \$5000) will go on sale September 1, 1998, and the

RATE INFORMATION

Current interest rates on savings bonds can be obtained by calling the toll-free recording
1-800-4US-BOND
(1-800-487-2663).

rest will be available in May of 1999. The bonds can be redeemed after six months and earn interest for 30 years. Investors redeeming bonds before five years are assessed a three-month earnings penalty. Individuals can purchase up to \$30,000 worth of I Bonds each calendar year. I Bonds are sold at face value. ■

HOW DOES THE SERIES I-BOND EARN INTEREST?

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for All Urban Consumers (CPI-U) over a six-month period before each May and November.

For example, the semi-annual inflation rate we will announce on November 1, 1998, reflects the change in the CPI-U from April 1998 through September 1998 while the semi-annual rate announced on May 1, 1999, measures the change in the CPI-U from October 1998 through March 1999.

Treasury combines fixed and inflation rates to create the earnings rate, which is the basis of Series I interest computations. The earnings rate, however, is more than simple addition. A mathematical formula is used that assures that inflation indexing is recognized each month.

The construction and application of the earnings rate creates a lag between the measurement of inflation and the adjustment of bond values to reflect that inflation.

This lag happens because we have to have an inflation measure to use in coming up with bonds earnings rate. For example, the rate we announce in May of each year uses inflation information as of the end of March.

This information is reported by the Bureau of Labor Statistics sometime in April.

The lag comes in because the earnings rate applies to all bonds with issue dates from May through October.

In the case of a May bond, the first time interest would be credited would be June, three months after the March date we used to measure inflation. As with the May rate the November earnings rate uses an inflation measure as of September, so there will always be a lag between when we measure inflation and when an inflation adjustment actually shows up in a bond's earnings.

The CPI-U is reported by the Bureau of Labor Statistics. The Bureau of Labor Statistics operates independently of Treasury and Treasury has no control over the determination, calculation or publication of the index. The regulations for the Bond set forth the actions Treasury will take in the event the CPI-U is revised, rebased, discontinued, or fundamentally altered.

Fixed rates of return may be different for bonds of different issue dates. So, there can be more than one earnings rate announced each May 1 and November 1. Each earnings rate is effective for six months – May through October or November through April. It applies to all rate periods (for bonds of the appropriate issue dates) that begin while it is in effect. A rate period is the six months during which a Series I Bond earns a specified earnings rate. A bond's first rate period starts on its issue date. New rate periods begin every six months after that.

The earnings rate will reflect deflation as well as inflation. Series I Bonds, however, will never decrease in value. Even if deflation

is enough to offset the fixed rate completely, the earnings rate will not go below zero. In this situation, Series I Bonds will maintain their values until the earnings rate will again produce an increase in value.

Detailed information on the earnings rate and other investment considerations are available in the Offering Circular (31 CFR 359) and Regulations Governing I Bonds (31 CFR 360). ■

HERE'S WHAT IT TAKES TO INTRODUCE A NEW BOND

Many plans, decisions and the efforts of a team of workers are needed to introduce a new Savings Bond.

These include policy makers, financial experts, lawyers to write regulations, and artists, designers and printers to complete the paper bond.

The I Bonds have a more contemporary look than earlier series, but continue to provide the safety and security that Americans expect from their investment in Treasury securities.

The Ball Group of Lancaster, Pennsylvania, led by Marlin Miller, Creative Director, provided creative development services.

Award-winning illustrator and portrait artist Gary Ciccarelli, of Dearborn, Michigan, created original portraits of each of the honorees. In addition, he created a background vignette reflective of an important event in each individual's life.

The art was created from photographic reference material provided by the estates of each honoree, or from foundations and

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museums to which the estates directed the Treasury Department. Mr. Ciccarelli employed a photo-realistic style to create the portraits and background for each denomination.

The design was then turned over to the Bureau of Engraving and Printing where Leonard Buckley, Design Foreman, added the border, marker, background and other details to complete the design. ■

FEDERAL RESERVE OFFERS I BOND SEMINARS

If you're interested in taking an in-depth look at Series I Bonds, you may want to consider attending an I Bond Seminar. Federal Reserve Banks are offering I Bond Seminars for employees of financial institutions handling savings bond transactions. The seminars provide a general overview of I Bond terms and conditions, and focus on procedures for I Bond purchase, redemption, and reissue transactions. You'll also get a brief refresher course on other savings bonds. For more information, contact the Federal Reserve Bank that

provides savings bond services to your region. ■

I BOND TAXES - KEEPING IT SIMPLE!

As complicated as taxes can be, you'll be happy to know it's one thing that didn't change with the introduction Series I Bonds. The same tax advantages that apply to Series EE Bonds apply to I Bonds. I Bond earnings are exempt from both state and local income taxes. In addition, federal income taxes can be deferred until the bond is redeemed or reaches final maturity (30 years after issue date), whichever occurs first.

Special tax benefits currently available for Series EE Bonds also apply to I Bonds under the Education Savings Bond Program. Qualified owners can exclude all or part of the interest on I Bonds from income as long as the proceeds are used to pay for tuition and fees at eligible post-secondary educational institutions.

The only difference that affects taxes is that I Bond interest earnings cannot be further deferred by exchanging I Bonds for HH Bonds.

When I Bonds are redeemed, earnings must be included as one amount on IRS Form 1099-INT and on federal income tax returns, just as EE Bond interest is reported today. The interest is the difference between what the owner paid for the I Bond and what the owner gets when cashing it. (EE and I Bond interest can be reported together on one 1099-INT.) ■

NEED MORE INFORMATION?

For more information about Series I Bonds, visit the savings bond web site at www.savingsbonds.gov. Current interest rates on all savings bonds, including I Bonds, can be obtained by calling the toll-free recording 1-800-4US-BOND (1-800-487-2663).

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